

# Journal of Executive Education

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Volume 11 | Issue 1

Article 4

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July 2013

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### Recommended Citation

Petit, Francis (2013) "Deadly Diseases or Innovative Practices: How Deming Would View Today's Executive MBA Industry," *Journal of Executive Education*: Vol. 11 : Iss. 1 , Article 4.

Available at: <https://digitalcommons.kennesaw.edu/jee/vol11/iss1/4>

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# **Deadly Diseases or Innovative Practices: How Deming Would View Today's Executive MBA Sector**

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## **Abstract**

The purpose of this research is to determine how W. Edwards Deming, the catalyst who led the sweeping quality revolution worldwide, would view today's Executive MBA sector. To determine this information, an examination of the Executive MBA sector will be conducted. In addition, various elements of Deming's "Deadly Diseases" will be discussed and applied to the Executive MBA sector with the hopes of uncovering whether the "prevailing style of management" is indeed a problem. The main findings of this preliminary study indicate that the present style of management within the Executive MBA sector is causing "waste" and "losses". The results of this initial study can potentially ignite increased research on how the quality movement can positively impact the Executive MBA sector.

## **Introduction**

It is a critical moment for Executive MBA Programs. These programs, since their inception, have been considered the most lucrative academic

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degree programs in graduate management education. Business School Deans often times turn to the Executive MBA as a cash cow product within their school's portfolio of programs. (Simmons, Wright, and Jones 2006).

Executive MBA Programs are targeted to current working managers and have significant “bells and whistles” above and beyond the traditional full time and part time MBA programs and they are as follows:

1. convenient time efficient cohort format to complete the degree;
2. academic materials;
3. food throughout the program;
4. overnight accommodations for residencies;
5. laptop computers and technology

(Petit, Fall 2011)

Such “add ons” have historically led Business Schools to incorporate a premium tuition pricing strategy as a result of targeting these programs to executives who would receive full corporate financial sponsorship from their employer. (Petit, 2008).

From a historical perspective, the first Executive MBA Program was launched by the University of Chicago in 1943. In 1954, Michigan State University launched an Executive MBA Program in response to a request from the “Big Three” automobile manufacturers (General Motors, Ford and Chrysler). By the 1960s, Business Schools began to explore the Executive MBA further as it allowed managers the ability to keep their jobs while completing the MBA. The private sector also liked the fact that it allowed for the long term development of its employees. By 1981, the Executive MBA Council was formed as a result of an increasing number of EMBA Programs offered by Business Schools. Since this time, the industry would witness a significant level of growth with new Executive MBA Programs offered both within the United States and now abroad. Programs now also incorporate international trip options and joint degree programs with Business Schools across continents. (Financial Times, October 25, 2010).

With this as a background, it should be noted that the Executive MBA sector has grown significantly since its inception. However, there are multiple recent sector trends that deserve attention. Therefore, the purpose of this research is to not only discuss the recent developments within the Executive MBA market but to also apply select points of Deming's “Deadly Diseases” to see if there exists “waste” and “losses” within the

“prevailing style of management”. For the purposes of this research, there is a generalization being made regarding the overall design and execution of programs within this sector. While there may exist a varied philosophy for some programs, this element is being held constant. The general hypothesis of this research and exercise is that the Executive MBA sector is certainly plagued by some of Deming’s “Deadly Diseases”.

## **Literature Review**

### **Tuition Reimbursement Policies**

As indicated previously, the Executive MBA was originally targeted to managers and professionals who would receive full corporate financial sponsorship to attend such programs. In fact at many Business Schools, full corporate financial sponsorship was a requirement to gain admission. (Petit, Fall 2011).

However, times have changed. According to the 2011 Executive MBA Council Annual Membership Program Survey, 27% of students enrolled in such programs received full tuition reimbursement from their employer down from 34% in 2007. In 2001, this percentage was 44%. (EMBA Council, 2003). This downward trend in full corporate financial sponsorship has been prevalent for some time. As full corporate financial sponsorship has been decreasing what has been occurring is a shift in the self-financially sponsored sector. For example, according to the 2011 Executive MBA Council Annual Membership Survey, 37% of Executive MBA students enrolled are self financially sponsored (i.e. paying their own way) in 2011 up from 33% in 2007. In 2001, only 19% of students enrolled were self financially sponsored. (EMBA Council, 2003). Such dramatic shifts in the responsibility for funding these programs have not made a major impact on enrollment. In fact, the sector has experienced enrollment growth on the international level throughout this time period which will be further discussed.

## **Tuition Pricing Strategy**

There have been many shifts within the product lifecycle for Executive MBA Programs. Within the initial and early to mid-growth stage of the Executive MBA product lifecycle, Business Schools would charge a premium tuition for the offering and sponsoring companies would pay “full freight” to send their employees to attend such programs. (Petit, Fall 2011). In addition, Business Schools would have access and develop relationships with these high level decision makers within the sponsoring organization as well as the executive students within the program. Business Schools would further, at that time, not have to offer specific student service initiatives such as “career management” so as to not negatively impact the relationship with the sponsoring company. Overall, Business Schools, within this time period, were in a unique position. (Petit, Fall 2011).

However, this climate has changed as a result of the shifting tuition reimbursement policies and it has become evident that there exists a non-aligned tuition pricing strategy. More specifically, the original tuition pricing strategy for Executive MBA Programs was based on the premise that companies would pay the entire amount. (Petit, 2005). Hence the premium strategy. However the industry has changed causing the original tuition pricing strategy to not be fully aligned with the current paradigm of the market. (Petit, Fall 2011).

## **Enrollment Trends**

Various reports indicate growth in the Executive MBA market however this growth is occurring outside the United States. For example, the Executive MBA Council Annual Membership Program Survey has reported in its 2007 Executive MBA Survey Results that 57% of programs were considering expansion and/or establishing satellite programs worldwide. This has been a recurring trend since this time that has led to increased program growth on the international level. In addition, the Executive MBA Council has also indicated in its 2010 Annual Membership Program Survey that there are more new Executive MBA Programs entering the market outside North America which continues to reaffirm this trend.

Furthermore, this report indicated that inquiries and applications have increased although very slightly. In addition, salary increases as a

result of enrollment and graduation as well as referral rates from current students and graduates also continue to remain high. The 2011 Executive MBA Council Annual Membership Program Survey further reaffirms the strength of the caliber of students regarding managerial experience (8.5 in 2011 verse 8.3 in 2007), average years of work experience (13.3 in 2011 verse 13 in 2007) and GPA at 3.2.

Overall, these statistics illustrate strength in the Executive sector. However, one item that cannot be overlooked is that the real growth for such programs is occurring outside the United States.

### **The Executive MBA Student**

A sector norm dictates that Executive MBA programs, in their own way, have labor intensive requirements. Out of all of their institution's MBA counterpart students (i.e. Full Time and Part Time Students), Executive MBA students bring the most senior professional experience to their candidacy which can potentially lead to a belief of superiority within the Executive MBA student body. In addition, these students hold positions of power and influence within their organizations. In essence, people listen to them at work and it is a common belief among Executive MBA Program Directors that executive students want to be listened to and heard by EMBA Program Administration. (Petit, Fall 2011).

This position is further exacerbated by the changing tuition reimbursement policies. Since students are encumbering more of the financial burden to attend such programs, they have become more critical of the entire Executive MBA Program Experience.

Whether it be the quality of the faculty, the focus of the curriculum or course and even the lunchtime menu and temperature of the coffee, Executive MBA students are now, more than ever, critiquing the entire experience and this is a direct result of the changing tuition reimbursement policies as well as emerging generational differences. (Shinn, July/August 2003).

### **EMBA Market Perceptions**

There exists a perception in the marketplace that Executive MBA Programs are "MBA Lite". (Shinn, July/August 2003). More specifically, it takes sixteen (16) to eighteen (18) months for professionals who have quit their jobs to obtain the MBA degree by going to school full time.

It also takes, in general, three (3) plus years for someone to obtain the MBA Part-Time in the evenings while working full time. Therefore, for some, it is difficult to fathom how these high level managers can complete an Executive MBA Program in just twenty (20) to twenty two (22) months. Adding to this perception, there is a belief that the faculty, by virtue of the compact Executive MBA class schedule, have a tendency to assign less work within these programs in addition to being more accommodating to executive students given the profitability of such programs. (Petit, Fall 2011).

## **Methodology**

An analysis of the Executive MBA sector will be conducted with the hopes of uncovering the current state of the sector. Upon its completion, select points of Deming's "Deadly Diseases" will be applied to the state and practices of the sector specifically with programs within the United States. The goal of this study and exercise is to determine whether the "prevailing style of management" is a source of "waste" and "losses" within the Executive MBA sector as according to Deming's "Deadly Diseases".

## **Findings**

As stated previously, the hypothesis of this research is to determine if in fact the Executive MBA sector is plagued with any of the "Deadly Diseases" that Deming indicated is so prevalent within industry and commerce. For the purpose of this research, select "Deadly Diseases" will be discussed and applied to the state and practices of the Executive MBA sector.

Prior to analyzing these "Deadly Diseases", it is important to understand Deming's view of a system and its application to higher education. The following relevant quotation not only reinforces Deming's position but also sheds light on the connection of the "Deadly Diseases" that will be discussed.

The prevailing style of management in higher education must undergo transformation. This transformation means change of form, shape, or appearance. Perhaps a better word to use is the Greek word *metanoia* which means penitence, repentance, reori-

entation of one's life or spiritual conversion. This transformation requires an understanding of the system of profound knowledge and the application of its principles in every kind of relationship between individuals. The system of profound knowledge includes an appreciation for a system, knowledge about variation, theory of knowledge and psychology.

(Maguad, 2011)

With this as a background, below please find the analysis of these “Deadly Diseases. Table I also outlines this analysis.

### **Disease #1 - Lack of Constancy of Purpose**

Within this “Deadly Disease”, Deming indicated that organizations have a lack of short term definition and goals as well as a lack of planning for the future. This lack of Constancy of Purpose, as Deming indicated, exists because management and organizations do not plan for products and services that will not only have a market and keep a company in business but will also provide jobs for its employees.

With this as a background, the question to explore is if the Executive MBA sector lacks a Constancy of Purpose. As previously stated, Executive MBA Programs have always been considered the most lucrative degree programs in graduate management education. The product was originally designed for “executives” who never received the MBA degree but needed the content immediately for their current positions. Business Schools, during growth markets, launched new and/or expanded Executive MBA offerings both within the United States and now abroad. The goal was obvious: to capitalize and expand program offerings to increase revenue and brand awareness with the Executive MBA premium tuition pricing strategy.

Yet do Business Schools really have a Constancy of Purpose with their Executive MBA Programs? For an extended period of time, as indicated previously, corporate financial tuition sponsorship has not only been dropping precipitously but also the percentage of self financially sponsored students has also been increasing. Students now are encumbering more of the financial burden themselves to attend such programs. As a result, it is apparent that the disparity of tuition prices among institutions has been increasingly widening. Overall, the initial premise of corporate financial sponsorship has dictated the tuition



pricing strategy for these programs. With this critical market paradigm shift, Business Schools should be readdressing their model in order to successfully “plan for the future”. This however does not seem apparent.

In addition, Business Schools must ask why they are in this business in the first place. Is it for tuition revenue generating purposes only? Is it for the development of contacts within organizations for future resources and development? Is it to educate executives most effectively and to witness how the pedagogy can be “operationalized” immediately within their high level jobs?

Overall, Business Schools must readdress this notion of Constancy of Purpose within their Executive MBA Programs. It is important to determine if there are other indicators of why schools are in this business (besides “cash cow” product). If so perhaps these indicators can be incorporated within a Business School’s overall strategy and Constancy of Purpose.

## **Disease #2 - Emphasis on Short Term Profits**

Within this “Deadly Disease”, Deming indicated that management worships the quarterly dividend and this sacrifices long term growth for the organization. Deming further stated that this emphasis on short-term profits leads to short-term thinking in organizations which is fed by fear. This emphasis on short term profits is counter to the Constancy of Purpose that must be cascaded within the entire organization.

With this as a background, the second question to explore is whether the Executive MBA sector is plagued by this “Deadly Disease”. As stated previously, this sector experienced significant growth over the past two decades both within the United States and now abroad. Institutions were not only growing class size but also expanding its reach with satellite programs.

Since the Executive MBA product, as stated previously, is viewed as a “cash cow” within the Business School portfolio, the goal was to grow the program when the market was expanding. However, now that the market has at least matured within the United States what will be the course of action for Business Schools? Will it be to fill the class, at any cost, even if it means admitting students who do not fully meet the targeted profile? Will it also be to admit all fully financially sponsored students, given the decline of full sponsorship, even if they do not meet the admissions criteria?

As stated previously, Deans are under immense pressure to meet targeted revenue requirements and often look to the EMBA as a cash cow contributor to the bottom line. With this as a background, one must ask if this cash cow status and surrounding pressure impact the quality of Executive MBA students being offered admission and also the Constancy of Purpose for these programs. One can potentially conclude that students who do meet the criteria for a specific program may be angered if there are classmates in their cohort who do not meet the criteria.

### **Disease #3 - Mobility of Management**

Deming indicated that within this “Deadly Disease”, management does not have any roots within the company or knowledge of the organization. As such, management does not fully understand the problems of the company. The question to explore at this moment is whether this “Deadly Disease” is impacting the Executive MBA sector.

A recent article in Forbes.com indicated that within an analysis of the Top 40 Business Schools, it illustrates that one in four Business School Deans (25%) have been replaced in the past year and 38% of their current Deans have been in their positions for less than two years. (Symonds, May 13, 2009).

In addition, a former Provost and Senior Vice President of Academic Affairs at USC once indicated that “All deans face harder challenges today...” In addition to the enormous pressure to raise money, the curriculum is changing as ethics and global business become more important. At the same time, many schools are ramping up their executive-education and executive M.B.A. programs. (Alsop, April 20, 2004).

Furthermore, a recent study by AACSB International indicated that, on average, Business School Deans have been in their positions only about five years and 25% have been in their jobs one year or less while another 25% have been in their jobs three years or less. (Alsop, April 20, 2004).

This data potentially indicates that there may be a Mobility of Management problem within the Executive MBA sector. Each Business School and overall university is unique in its own right. Fully understanding an institution and all of its key stakeholders as a system (students, faculty, staff, etc.) can potentially take time. The Mobility of Management within Business Schools can have an impact on fully understanding all stakeholders and thus the system as a whole.

### **Deadly Disease #4 - Use of Visible Figures Only**

Within this “Deadly Disease”, Deming indicated that management does not use any data and/or figures that are unknown or unknowable (i.e. customer or employee satisfaction). As a result, management utilizes data for measurement and makes decisions from this data without considering unknown or unknowable figures.

Within the Executive MBA sector, it can be stated that the two “Visible Figures” that management utilizes are enrollment and rankings. If an institution's Executive MBA enrollment and rankings are strong, then the program, within management's perspective, is in good shape.

However there may exist other unknown or unknowable figures that could potentially be taken into consideration by management which can be seen as follows:

1. Faculty / Student interaction and exchange
2. Culture of an Executive MBA Program (Collaborative or Competitive)
3. Seamless Administrative Processes (invoices, registration)
4. Visibility of Management On-Site

Overall, these are some examples of unknown and unknowable figures that could certainly impact the position of an Executive MBA Program and the satisfaction of the Executive MBA students but are not potentially used in decision making by management. As stated previously, these figures and indicators are difficult to measure but can have a significant impact on a program and brand.

### **Conclusion**

Overall, while the Executive MBA sector is changing and evolving it appears that the sector practices, on some level, are infected with Deming's “Deadly Diseases”. More specifically, for the purposes of this initial research, four (4) of Deming's “Deadly Diseases” including Constancy of Purposes, Emphasis on Short-Term Profits, Mobility of Management and Use of Visible Figures Only were applied to the Executive MBA sector. Initial results indicate apparent areas of improvement. It is the hope that the results of this initial study can potentially ignite increased research on how the quality movement can positively impact the Executive MBA

sector.

## Appendix

**Table 1.** Deming's Deadly Diseases on the Executive MBA Program Sector

Deming's Deadly Diseases	Postulate	Executive MBA Implications
Lack of Constancy of Purpose	<ul style="list-style-type: none"> <li>• Lack of Short Term Definition and Goals;</li> <li>• Lack of Planning for Future.</li> </ul>	<ul style="list-style-type: none"> <li>• Why Offer Program?</li> <li>• Cash Cow?</li> <li>• Increase Contacts?</li> <li>• Increase Resources?</li> </ul>
Emphasis on Short Term Profits	<ul style="list-style-type: none"> <li>• Worship the Quarterly Dividend;</li> <li>• Short Term Thinking;</li> <li>• Breeds Fear.</li> </ul>	<ul style="list-style-type: none"> <li>• Make Your Enrollment Goals;</li> <li>• Fill Class at Any Cost?</li> <li>• Impact on Quality?</li> </ul>
Mobility of Management	<ul style="list-style-type: none"> <li>• Management has no Roots in Company;</li> <li>• Management does not Understand Company.</li> </ul>	<ul style="list-style-type: none"> <li>• Short Lifecycle for Business School Deans;</li> <li>• Pressure from Rankings;</li> <li>• Burnout.</li> </ul>
Use of Visible Figures Only	<ul style="list-style-type: none"> <li>• Management does not use any figures that are Unknown or Unknowable.</li> </ul>	<ul style="list-style-type: none"> <li>• Visible Figures – Rankings and Enrollment;</li> <li>• Unknown Figures — The Overall Impact of a Happy Student verse Unhappy Student.</li> </ul>

Note: This Table summarizes key points on how Deming's Deadly Diseases are impacting the Executive MBA sector.

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